

Message Text

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PAGE 01 ANKARA 05001 011232Z
ACTION EUR-12

INFO OCT-01 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00
DOTE-00 EB-07 INR-07 NSAE-00 EPG-02 FAA-00 TRSE-00
PM-04 NSC-05 SP-02 SS-15 PRS-01 /058 W
-----023028 011439Z /43

R 011126Z JUL 77
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC 6862
INFO AMCONSUL ISTANBUL
AMCONSUL ADANA BY POUCH
AMCONSUL IZMIR BY POUCH
AMEMBASSY LONDON

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E.O. 11652: NA
TAGS: EAIR, EFIN, BDIS, TU
SUBJECT: PAN AM EXCHANGE RATE DISPUTE WITH TURKISH GOVERNMENT

1. ON ADVICE OF TURKISH ATTORNEY, PAN AMERICAN GENERAL
MANAGER FOR TURKEY, MICHAEL GEORGE, DEPOSITED LIRA EQUIV-
ALENT OF APPROXIMATELY \$70,000 INTO SPECIAL ACCOUNT
AT CENTRAL BANK JUNE 29 IN RELUCTANT COMPLIANCE WITH
TURKISH GOVERNMENT ORDER. SUM, REPRESENTING DIFFERENCE
OF 53 KURUS TO THE DOLLAR BETWEEN TRANSFER RATE
AUTHORIZED BY TURKISH GOVERNMENT AND TICKETING RATE
PERMITTED BY IATA, WAS REALIZED BY PAN AM ON SALES IN
TURKEY DURING PERIOD MAY 14 - SEPTEMBER 19, 1974.
GEORGE, AS RESPONSIBLE OFFICIAL, WAS CHARGED BY PUBLIC
PROSECUTOR SAME DAY WITH VIOLATION OF DECREE 18 FOR
PROTECTION OF VALUE OF TURKISH CURRENCY FOR NOT HAVING CARRIED
OUT TRANSACTIONS AT RATE OF EXCHANGE APPROVED BY TURKISH
GOVERNMENT AND FOR NOT HAVING RETURNED DIFFERENTIAL PROFIT TO
CENTRAL BANK IN TIMELY MANNER AS DIRECTED. GEORGE EXPECTS THAT
DEPOSIT WILL CONSTITUTE MITIGATING CIRCUMSTANCE IN COURT DECISION,
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PAGE 02 ANKARA 05001 011232Z

WHICH COULD BE AS LONG AS TWO YEARS AWAY. GEORGE FEELS THAT NO
FURTHER ACTION IS REQUIRED FOR TIME BEING BY PAN AM AND NONE
BY EMBASSY. TELEGRAM SUMMARIZES SEVERAL TELEPHONE CONVERSATIONS
BETWEEN PAN AM MANAGER AND OFFICERS OF EMBASSY AND CONGEN ISTANBUL.

2. SEVERAL OTHER FOREIGN AIRLINES SERVING TURKEY FACE SAME
PROBLAM. GEORGE ESTIMATES THAT TURKS ARE CLAIMING L RA

EQUIVALENT OF ABOUT \$3 MILLION FROM LUFTHANSA WHICH CARRIES HEAVY LOAD OF TURKISH WORKERS TO AND FROM EUROPE. CONGEN ISTANBUL UNDERSTANDS THAT SWISS AIR WILL ALSO HAVE TO DEPOSIT SUBSTANTIAL SUM.

3. PAN AM AND OTHER COMPANIES HAVE REPEATEDLY RESISTED DEMANDS OF TURKISH GOVERNMENT TO DEPOSIT PROFIT FROM THIS DIFFERENTIAL. PAN AM CLAIMED THAT DECREE 18 DOES NOT APPLY TO AIRLINES. PAN AM AND SEVERAL OTHER FOREIGN FLAG AIRLINES EARLIER THIS YEAR APPEALED TO COUNCIL OF STATE (DANISTAY) TO OVERRULE DEPOSIT ORDER AND TO ENJOIN ANY RELATED CRIMINAL PROSECUTION IN THE INTERIM. COUNCIL REFUSED LATTER REQUEST BUT HAS NOT YET RULED ON FORMER.

4. PAN AM OFFICE IN ISTANBUL RECENTLY RECEIVED POLICE REQUEST THAT PERSON IN CHARGE APPEAR BEFORE PUBLIC PROSECUTOR IN ISTANBUL BY JUNE 29. ACCOMPANIED BY TURKISH CRIMINAL LAWYER, GEORGE APPEARED ON THAT DATE, HAVING MADE DEPOSIT BEFOREHAND UNDER PROTEST AND RESERVING RIGHT TO RECLAIM IT IF STATE COUNCIL SHOULD OVERRULE DEPOSIT ORDER. AT MEETING PROSECUTOR READ CHARGES. GEORGE OUTLINED PAN AM'S POSITION AND SIGNED STATEMENT IN TURKISH, TRANSLATED FOR HIM BY HIS ATTORNEY, RECORDING HIS COMMENTS. PROSECUTOR SAID THAT REPRESENTATIVES OF OTHER AIRLINES CONCERNED WOULD BE SIMILARLY REQUESTED TO ANSWER QUESTIONS BEFORE HIM BY JULY 25. MEETING WAS AFFABLE AND PROSECUTOR APPEARED TO TREAT MATTER LIGHTLY.
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PAGE 03 ANKARA 05001 011232Z

5. ALTHOUGH PUBLIC PROSECUTOR HAS DISCRETION TO DISMISS CASE, GEORGE WAS CONVINCED THAT HE WOULD BE UNABLE TO DO SO IN PRESENT POLITICAL CLIMATE FOR FEAR OF APPEARING TO HAVE ACCEPTED BRIBE FROM PAN AM.
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Copy: SINGLE
Sent Date: 01-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition History: n/a
Disposition Reason:
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